

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH
JOHNSON BAYOU, LOUISIANA

ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2013

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GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis

Within this section of the Gravity Drainage District No. 7 of Cameron Parish's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2013. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceeded its liabilities by \$1,732,434 (net position) for the fiscal year reported.
- Total revenues of \$391,635 exceeded total expenditures of \$324,779, which resulted in a current year excess of \$66,856, compared to a prior year excess of \$141,789.
- Total net position is comprised of the following:
 1. Net investment in capital assets of \$342,844 includes property and equipment, net of accumulated depreciation.
 2. Unrestricted net position of \$1,389,590 represents the portion available to maintain the District's continuing obligation to citizens and creditors.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base, or the condition of District infrastructure in addition to the financial information provided in this report.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

The second government-wide statement is the *Statement of Activities*, which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by property taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include principally general government and maintenance.

The government-wide financial statements are presented on pages 12 and 13 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 15 through 18 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund. These statements and schedules demonstrate compliance with the District's adopted and final revised budget. Required supplemental information can be found on page 33 of this report.

Financial Analysis of the District as a Whole

The District's net position at fiscal year-end is \$1,732,434. The following table provides a summary of the District's net position:

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets	\$ 1,406,314	\$ 1,331,391
Capital assets	<u>342,844</u>	<u>406,264</u>
Total assets	<u>1,749,158</u>	<u>1,737,655</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	<u>16,724</u>	<u>72,077</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets	342,844	406,264
Unrestricted	<u>1,389,590</u>	<u>1,259,314</u>
Total net position	<u>\$ 1,732,434</u>	<u>\$ 1,665,578</u>

The District continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 84 to 1 (18 to 1 for 2012). Note that approximately 20% (24% for 2012) of the net position is tied up in capital. The District uses these capital assets to provide services to its taxpayers.

The District reported positive balances in net position, which increased by \$66,856. The District's overall financial position improved during the fiscal year 2013.

The following table provides a summary of the District's changes in net position:

	<u>2013</u>	<u>2012</u>
Revenues	\$ 391,635	\$ 496,346
Expenses		
General government	<u>324,779</u>	<u>354,557</u>
Change in Net Position	66,856	141,789
Beginning Net Position	<u>1,665,578</u>	<u>1,523,789</u>
Ending Net Position	<u>\$ 1,732,434</u>	<u>\$ 1,665,578</u>

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Governmental Revenues

The District is heavily reliant on property taxes to support governmental operations. Property taxes provided 72% of the District's total revenues. As a result, the general economy and the local businesses have a major impact on the District's revenue streams.

Budgetary Highlights

The General Fund – When the budget was adopted, it was anticipated that the total revenues were going to be \$90,832 less than the prior year and expenditures were anticipated to be \$111,755 more than the previous fiscal year's budget.

The actual revenues were less than the final budget by \$10,374 or 2.6%, mainly due to ad valorem taxes, and the actual expenditures were less than the final budget by \$138,641 or 53%, mainly due to capital outlay.

Capital Assets and Debt Administration

Capital assets

The District's net investment in capital assets for governmental activities as of December 31, 2013, was \$342,844. See Note C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital assets activity.

	<u>2013</u>	<u>2012</u>
Buildings & improvements	\$ 89,913	\$ 89,913
Equipment & vehicles	576,987	601,153
Furniture & office equipment	<u>5,895</u>	<u>5,895</u>
	672,795	696,961
Less accumulated depreciation	<u>329,951</u>	<u>290,697</u>
Net investment in fixed assets	<u>\$ 342,844</u>	<u>\$ 406,264</u>

At December 31, 2013, the depreciable capital assets for governmental activities were 49% depreciated, compared to 42% in 2012.

Long-term Debt

The District has no debt at December 31, 2013.

Economic Conditions Affecting the District

Since the primary revenue stream for the District is property taxes, the District's property tax revenues are subject to changes in the economy.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District's office, Ms. Marsha Trahan, bookkeeper at (337) 569-2240.



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
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JACKLYN BRANEFF, C.P.A.

INDEPENDENT AUDITORS' REPORT

May 22, 2014

Board of Commissioners
Gravity Drainage District No. 7 of Cameron Parish
Johnson Bayou, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Gravity Drainage District No. 7 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Gravity Drainage District No. 7 of Cameron Parish as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplemental information on pages 3 through 7, and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of Gravity Drainage District No. 7 of Cameron Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gragson, Casiday & Guillory

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Net Position

December 31, 2013

ASSETS	
Cash	\$ 748,142
Investments	381,786
Receivables	
Ad valorem taxes, net	273,441
Prepaid insurance	2,945
Capital assets, net	342,844
Total assets	<u>1,749,158</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>-</u>
LIABILITIES	
Accounts payable	2,629
Accrued liabilities	14,095
Total liabilities	<u>16,724</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>-</u>
NET POSITION	
Net investment in capital assets	342,844
Net position - Unrestricted	1,389,590
	<u>\$ 1,732,434</u>

The accompanying notes are an integral part of the basic financial statements.

Statement of Activities

Year Ended December 31, 2013

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Balance Sheet - Governmental Fund

December 31, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 748,142	\$ 635,284
Investments	381,786	387,660
Prepaid insurance	2,945	4,486
Receivable - ad valorem taxes, net	273,441	303,961
Total Assets	<u>1,406,314</u>	<u>1,331,391</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,406,314</u>	<u>\$ 1,331,391</u>
LIABILITIES		
Accounts payable	\$ 2,629	\$ 60,666
Accrued liabilities	14,095	11,411
Total Liabilities	<u>16,724</u>	<u>72,077</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
FUND BALANCE		
Unassigned	1,389,590	1,259,314
Total Fund Balance	<u>1,389,590</u>	<u>1,259,314</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,406,314</u>	<u>\$ 1,331,391</u>

The accompanying notes are an integral part of the basic financial statements

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Reconciliation of the Balance Sheet-Governmental Fund to the
Statement of Net Position

December 31, 2013

Total fund balance for governmental fund at December 31, 2013:	\$ 1,389,590
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$ 329,951	<u>342,844</u>
Total net position of governmental activities at December 31, 2013	<u>\$ 1,732,434</u>

The accompanying notes are an integral part of the basic financial statements.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund

Year Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
REVENUES		
Ad valorem taxes (net)	\$ 281,176	\$ 329,031
Investment income	2,178	6,699
Intergovernmental - state	826	836
Intergovernmental - FEMA	11,924	-
Other	874	76,374
Gain on sale of fixed assets	11,251	-
LNG cooperative endeavor	83,406	83,406
Total revenues	<u>391,635</u>	<u>496,346</u>
EXPENDITURES		
General Government		
Advertising	714	998
Bank charges	43	30
Contract labor	20,961	7,735
Dues	49	76
Equipment rental	1,704	2,168
Fuel	6,983	8,752
Insurance-general	12,315	7,622
Insurance-hospitalization	23,141	20,293
Intergovernmental-OPEB	2,614	2,334
Maintenance and repairs	9,810	5,278
Miscellaneous	151	733
Office expense	2,029	4,849
Payroll taxes	2,361	11,928
Per diem	5,600	5,050
Permitting	677	8,595
Professional fees	7,000	13,500
Retirement	13,561	18,970
Salaries	97,651	96,673
Supplies	41,465	62,530
Telephone	5,913	6,116
Travel	943	1,377
Utilities	1,774	1,716
Capital outlay	3,900	45,110
Total Expenditures	<u>261,359</u>	<u>332,433</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	130,276	163,913
FUND BALANCE - BEGINNING	<u>1,259,314</u>	<u>1,095,401</u>
FUND BALANCE - ENDING	<u>\$ 1,389,590</u>	<u>\$ 1,259,314</u>

The accompanying notes are an integral part of the basic financial statements.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund to the Statement of Activities

Year Ended December 31, 2013

Total net changes in fund balance at December 31, 2013 per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 130,276
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The change in net position reported for governmental activities in the
in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 3,900	
Depreciation expense for the year ended December 31, 2013	<u>(67,320)</u>	(63,420)

Prior year governmental funds report prepaids as expenditures.
However, in the current year statement of net position the cost
of these items are allocated over the period covered by the
expenditure. This is the amount for prior year periods.

Total changes in net position at December 31, 2013 per Statement of Activities	<u>\$ 66,856</u>
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The accompanying notes are an integral part of the basic financial statements.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 7 of Cameron Parish (the District) is a corporate body created as a political subdivision of the State of Louisiana under the provisions of Louisiana Revised Statutes 38:1751-1802, and was established for the purpose of constructing, improving and maintaining all natural drains in the District where drainage is accomplished using the natural force of gravity. The District is governed by a board of 5 commissioners who are appointed by the Cameron Parish Police Jury. The District covers 397 square miles and serves an approximate population of 935.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Gravity Drainage District No. 7 of Cameron Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Gravity Drainage District No. 7 of Cameron Parish.

As the governing authority, for reporting purposes, the Cameron Parish Police Jury is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Cameron Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body and
 - a. The ability of the Cameron Parish Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Cameron Parish Police Jury.
2. Organizations for which the Cameron Parish Police Jury does not appoint a voting majority but are fiscally dependent on the Cameron Parish Police Jury.
3. Organizations for which the reporting entity financial statements could be misleading if data of the organization is not included because of the nature of significance of the relationship.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Based upon the application of these criteria, Gravity Drainage District No. 7 of Cameron Parish is a component unit of the Cameron Parish Police Jury's reporting entity.

2. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of services offered by the District; and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

The District has one fund, the General Fund, which is therefore considered its major fund.

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus

On the government-wide statement of net position and the statement of activities, the activities are presented using the economic resources measurement focus. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

4. Cash

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2013, the District had \$748,142 in deposits (collected bank balances), of which all was secured from risk by federal deposit insurance and pledged securities.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Investments

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted prices in Active markets Identical assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Cost</u>
Short-term investments:					
U.S. Government Securities	<u>\$ 381,786</u>	<u>\$ 381,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,573</u>

6. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Budgets

A budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

8. Capital assets

Capital assets are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives is as follows, depending on the type of asset.

Buildings and improvements	15-40 years
Equipment	5-10 years
Vehicles	5 years
Furniture and equipment	3-5 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. At December 31, 2013 the District's liability for compensated absences is \$4,726.

10. Equity Classification

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of a cumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

In the fund statements, governmental fund equity is classified as fund balance.

Fund balance is further classified as restricted, assigned and unassigned.

- a. Restricted fund balance - Includes fund balance amounts that are intended to be used for specific purposes based on generally outside actions.
- b. Assigned fund balance - Includes fund balance amounts that are intended to be used for specific purposes based on internal (Board) actions.
- c. Unassigned fund balance - Includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

11. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Subsequent Events

Management has evaluated subsequent events through May 22, 2014, the date the financial statements were available to be issued.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE B – AD VALOREM TAXES

For the year ended December 31, 2013, taxes were levied on taxable assessed valuations of \$78,147,149 at a millage of 3.75.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

NOTE C--CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2013 follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Buildings and improvements	\$ 89,913	\$ -	\$ -	\$ 89,913
Equipment	532,155	3,900	-	536,055
Vehicles	68,998	-	(28,066)	40,932
Furniture and office equipment	5,895	-	-	5,895
Totals at cost	696,961	3,900	(28,066)	672,795
Less accumulated depreciation for:				
Buildings and improvement	34,973	2,667	-	37,640
Equipment	223,946	55,568	-	279,514
Vehicles	28,066	8,186	(28,066)	8,186
Furniture and office equipment	3,712	899	-	4,611
Total accumulated depreciation	290,697	67,320	(28,066)	329,951
Governmental activities:				
Capital assets – net	\$ 406,264	\$ (63,420)	\$ -	\$ 342,844

NOTE D – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE E - RETIREMENT COMMITMENTS

The District participates in a state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the District's full-time employees. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the District's participation in these systems are provided below.

Parochial Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B with separate assets and benefit provisions. Employees of the District are members of Plan A. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least twenty-eight hours per week, not participating in another public funded retirement system and under age fifty-five (55) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the system. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited services, at or after age 55 with 25 years of credited service, or at any age with 30 or more years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service.

Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, LA 70898.

Plan members are required to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 16.75% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the System's Board of Trustees. The District's contributions to the System for the year ended December 31, 2013 totaled \$13,561.

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Gravity Drainage District No. 7 of Cameron Parish's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE E - RETIREMENT COMMITMENTS-CONTINUED

Effective with the year ended December 31, 2009, the Gravity Drainage District No. 7 of Cameron Parish implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45). This statement has been implemented prospectively. Using this method, the beginning OPEB liability is set at zero and the actuarially determined OPEB liability relative to past service (prior to January 1, 2009) will be amortized and recognized as an expense over thirty years.

Most employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P entry) provision are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2008, retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. For the few employees not covered by that system, the same retirement eligibility has been assumed. Complete plan provisions are included in the official plan documents.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy. In 2013, the Gravity Drainage District No. 7 of Cameron Parish's portion of health care funding cost for retired employees totaled \$0.

Annual Required Contribution. The Gravity Drainage District No. 7 of Cameron Parish's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>Medical</u>
Normal Cost	\$ 2,195
30-year UAL amortization amount	540
Annual required contribution (ARC)	<u>\$ 2,735</u>

Net Post-employment Benefit Obligation. The table below shows the Gravity Drainage District No. 7 of Cameron Parish's Net Other Post-employment Benefit (OPEB) Obligation for the fiscal year.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN - CONTINUED

	<u>Medical</u>
Annual required contribution	\$ 2,735
Interest on Net OPEB Obligation	270
ARC Adjustment	(391)
Annual OPEB Cost	2,614
Contributions made	-
Current year retiree premium	-
Increase in Net OPEB Obligation	2,614
Beginning Net OPEB Obligation	6,755
Ending Net OPEB Obligation	<u>\$ 9,369</u>

The following table shows the Gravity Drainage District No. 7 of Cameron Parish's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability:

Post Employment OPEB Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net Obligation
Medical	December 31, 2013	\$ 2,614	0.0%	\$ 9,369

Funded Status and Funding Progress. In the fiscal year ended December 31, 2013, the Gravity Drainage District No. 7 of Cameron Parish made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year ended December 31, 2013 was \$9,698 which is defined as that portion, as determined by a particular actuarial cost method (the Gravity Drainage District No. 7 of Cameron Parish uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	<u>Medical</u>
Actuarial Accrued Liability (AAL)	\$ 9,698
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 9,698</u>
Funded Ratio (Act. Val. Assets/AAL)	.00%
Covered Payroll (active Plan members)	\$ 84,442
UAAL as a percentage of covered payroll	11.48%

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN – CONTINUED

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Gravity Drainage District No. 7 of Cameron Parish and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Gravity Drainage District No. 7 of Cameron Parish and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Gravity Drainage District No. 7 of Cameron Parish and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the United Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average of approximately 5%.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN– CONTINUED

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after eligibility to enter the D.R.O.P. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. Because the employer provided medical cost of retirees is limited to a flat \$150 per month, we have assumed a flat 3% annual "trend" as the expected rate of increase in medical cost, including general inflation (see section below on "Inflation Rate"). Conventional medical trend factors have not been used.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a flat \$150 per month of the cost of the medical and life insurance combined for the retirees only (not dependents). Because of the combined nature of the flat monthly employer payment, we have valued only the medical benefits. Effective with this valuation and forward, retirees with at least thirty years of service are entitled to 100% of medical benefits paid by the employer for retiree only coverage, not dependents.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2013

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN – CONTINUED

Below is a summary of OPEB cost and contributions for the last three fiscal years.

	OPEB Costs and Contributions		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
OPEB Cost	\$ 2,282	\$ 2,334	\$ 2,614
Contribution	-	-	-
Retiree premium	-	-	-
Total contribution and premium	-	-	-
Change in net OPEB obligation	<u>\$ 2,282</u>	<u>\$ 2,334</u>	<u>\$ 2,614</u>
% of contribution to cost	0.0%	0.0%	0.0%
% of contribution plus premium to cost	0.0%	0.0%	0.0%

NOTE G – PER DIEM

Per diem paid commissioners for the year ended December 31, 2013 were as follows:

Russell Badon	\$ 500
Ivan Barentine, prior Commissioner	200
Rodney Billiot	1,100
Roger Romero	500
Billy Storm	600
Eric Trahan, prior Commissioner	100
Ernest Trahan	1,300
Robert Trahan	<u>1,300</u>
	<u>\$ 5,600</u>

REQUIRED SUPPLEMENTAL INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes (net)	\$ 318,353	\$ 281,176	\$ (37,177)
Investment income	250	2,178	1,928
Intergovernmental - state	-	826	826
Intergovernmental - FEMA	-	11,924	11,924
Other	-	874	874
Gain on sale of fixed assets	-	11,251	11,251
LNG cooperative endeavor	83,406	83,406	-
TOTAL REVENUES	402,009	391,635	(10,374)
EXPENDITURES			
General Government			
Advertising	-	714	(714)
Bank charges	-	43	(43)
Contract labor	10,000	20,961	(10,961)
Dues	-	49	(49)
Equipment rental	2,500	1,704	796
Fuel	10,000	6,983	3,017
Insurance-general	10,000	12,315	(2,315)
Insurance-hospitalization	-	23,141	(23,141)
Intergovernmental-OPEB	-	2,614	(2,614)
Maintenance and repairs	26,000	9,810	16,190
Miscellaneous	2,000	151	1,849
Office expense	5,500	2,029	3,471
Payroll taxes	-	2,361	(2,361)
Per diem	6,000	5,600	400
Permitting	-	677	(677)
Professional fees	8,000	7,000	1,000
Retirement	-	13,561	(13,561)
Salaries	110,000	97,651	12,349
Supplies	18,000	41,465	(23,465)
Telephone	6,000	5,913	87
Travel	2,000	943	1,057
Utilities	2,000	1,774	226
Capital outlay	182,000	3,900	178,100
TOTAL EXPENDITURES	400,000	261,359	138,641
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,009	130,276	128,267
FUND BALANCE - BEGINNING	1,259,314	1,259,314	-
FUND BALANCE - ENDING	\$ 1,261,323	\$ 1,389,590	\$ 128,267

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Employee Health Care Plan

December 31, 2013

Schedule of Funding Progress (Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
December 31, 2011	\$ 0	\$ 6,186	\$ 6,186	0.00%	\$ 49,000	12.62%
December 31, 2012	\$ 0	\$ 6,691	\$ 6,691	0.00%	\$ 77,532	8.63%
December 31, 2013	\$ 0	\$ 9,698	\$ 9,698	0.00%	\$ 84,442	11.48%



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
JULIA W. PORTUS, C.P.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BRANEFF, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

May 22, 2014

Board of Commissioners
Gravity Drainage District No. 7 of Cameron Parish
Johnson Bayou, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Gravity Drainage District No. 7 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gravity Drainage District No. 7 of Cameron Parish's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain

deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 7 of Cameron Parish's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or others matters that are required to be reported under *Government Auditing Standards*.

Gravity Drainage District No. 7 of Cameron Parish's Response to Findings

Gravity Drainage District No. 7 of Cameron Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Gravity Drainage District No. 7 of Cameron Parish's response was not subjected to the auditing procedures applied in the audit to the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable of any other purpose. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Gragson Casiday & Guillory

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Findings and Responses

Year Ended December 31, 2013

1. Summary of Auditors' Results:

Type of auditors' opinion issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Control deficiency(ies) identified that are
not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to financial statements
noted? ☐ yes ☒ no

2. Findings Relating to the Financial Statements Which Are Required to be Reported in
Accordance with Generally Accepted Governmental Auditing Standards

Finding 2013-1:

Inadequate Segregation of Duties

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review of bank reconciliations on a monthly basis.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Findings and Responses-Continued

Year Ended December 31, 2013

3. Federal Award Findings and Questioned Costs

- N/A

4. Prior Year Audit Findings

Finding 2012-1:

Inadequate Segregation of Duties

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Status: Repeat finding in 2013.

Finding 2012-2:

Budgetary Authority and Control

Status: Satisfactorily corrected.